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Deputy Commissioner
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BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of:)	
)	
THE COMMISSIONER OF BUSINESS)	SETTLEMENT AGREEMENT
OVERSIGHT,)	
)	
Complainant,)	
)	
v.)	
)	
MED-X, INC., DAVID E. TOOMEY,)	
MATTHEW A. MILLS and RONALD J.)	
TCHORZEWSKI,)	
)	
Respondents.)	

This Settlement Agreement is entered between the Department of Business Oversight (Department) through the Commissioner of Business Oversight (Commissioner), on the one hand, and Med-X, Inc., David E. Toomey, Matthew A. Mills and Ronald J. Tchorzewski (collectively, Respondents) on the other hand (hereafter, the Parties), and is made with respect to the following:

RECITALS

- A. At all relevant times, Med-X, Inc. (Med-X) was a Nevada corporation doing business at 8236 Remmet Avenue, Canoga Park, California 91304.
- B. At all relevant times, Dr. David E. Toomey (Toomey) was Director and Chief Executive Officer of Med-X.
- C. At all relevant times, Matthew A. Mills (Matthew Mills) was Chairman of the Board,

1 President and Chief Operating Officer of Med-X.

2 D. At all relevant times, Ronald J. Tchorzewski (Tchorzewski) was Director and Chief
3 Financial Officer of Med-X.

4 E. Beginning in or about September 1, 2014, Toomey, Matthew Mills, Tchorzewski and
5 Med-X offered or sold securities in the form of common stock of Med-X. Toomey, Matthew Mills,
6 Tchorzewski and Med-X conducted a series of offerings in Med-X, including but not limited to the
7 following:

8 i. Beginning in or about September 1, 2015, Toomey, Matthew Mills, Tchorzewski and
9 Med-X offered or sold shares of common stock with a 30,000-share minimum investment
10 requirement at 50 cents per share to raise \$2.5 million.

11 ii. Beginning in or about February 3, 2016, Toomey, Matthew Mills, Tchorzewski and
12 Med-X offered or sold shares of common stock with a 700-share minimum investment requirement at
13 60 cents per share to raise \$15 million.

14 iii. Beginning in or about October 1, 2016, Toomey, Matthew Mills, Tchorzewski and
15 Med-X offered or sold shares of common stock in two separate offerings each with a 20,000-share
16 minimum investment requirement at 60 cents per share to raise \$1.2 million for each offering.

17 F. The purported purpose of the offerings was to raise funds to engage in activities
18 related to the cannabis industry, including but not limited to acquiring, creating and publishing
19 Cannabis-related media content through Med-X's website (www.marijuanatimes.org), distributing or
20 selling Nature-Cide® products to cannabis cultivators, and researching and developing cannabis to
21 market and/or sell for medical and/or recreational purposes. Investors were told that Nature-Cide® is
22 owned, manufactured and distributed by Pacific Shore Holdings, Inc., an affiliate and principal
23 shareholder of Med-X which has granted to Med-X an exclusive license to use and market the brand.
24 The Commissioner previously issued a Desist and Refrain Order to Pacific Shore Holdings, Inc. on
25 August 7, 2013 for offering and/or selling non-exempt securities without a permit in violation of
26 Corporations Code section 25110 in an offering involving raising funds for Nature-Cide®.

27 G. According to the February 3, 2016 Offering Circular, beginning on April 1, 2015,
28 Med-X employed Arthur Avanesov (Avanesov) as one of its "Significant Employees" in the position

of Investor Relations.

H. Avanesov was not disclosed by Med-X in its earlier Private Placement Memorandum provided to investors for the September 1, 2015 offering, nor in its Private Placement Memorandums for the two later offerings, each dated October 1, 2016, even though Avanesov continued to hold the position of Investor Relations/Business Development with Med-X.

I. In connection with these offers and sales, Toomey, Matthew Mills, Tchorzewski and Med-X also omitted to disclose to investors that Avanesov had been issued a Desist and Refrain Order (Order) by the Commissioner on July 27, 2010 for violations of Corporations Code sections 25110, 25401, 29535 and 29536. The Order became final on January 14, 2011 after Avanesov requested and appeared at the hearing to challenge the Order.

K. Med-X investors were not told that the Commissioner found that Avanesov had offered foreign exchange trading accounts while acting as a trading advisor for trading currencies on the foreign exchange market without being registered, licensed or exempt in violation of Corporations Code section 29535. The Commissioner also found that Avanesov had offered or sold unqualified securities in violation of Corporations Code section 25110 in the form of equity positions in Welland Capital, Inc. which Avanesov oversaw as its President. The Commissioner also found that Avanesov had offered or sold commodities and securities by means of communication that included an untrue statement of material fact or omitted to state a material fact necessary in order to make the statement not misleading in violation of Corporations Code sections 25401 and 29536.

L. The Commissioner is of the opinion that the shares of common stock offered or sold in Med-X, Inc. are securities under the Corporate Securities Law of 1968 (CSL) (Corp. Code, § 25000 et seq.) and were offered or sold in this state by means of written or oral communications which included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Corporations Code section 25401.

M. Respondents admit to the jurisdiction of the Commissioner with respect to the subject matter hereof and agree to the execution of this Settlement Agreement as a resolution of the matter without the need to initiate litigation.

1 N. The Commissioner finds this Settlement Agreement is appropriate, in the public
2 interest, and consistent with the purposes fairly intended by the policy and provisions of the CSL.

3 NOW THEREFORE, in consideration of the foregoing, and the terms and conditions set forth
4 herein, the Parties agree as follows:

5 TERMS AND CONDITIONS

6 1. Purpose. The purpose of this Settlement Agreement is to resolve the foregoing issues
7 in a manner that avoids the expense of a hearing and possible other court proceedings. Respondents
8 stipulate to the terms of this Settlement Agreement without admitting or denying any of the findings
9 of the Commissioner regarding the subject matter of this Settlement Agreement. The Parties hereby
10 acknowledge and agree that this Agreement is intended to constitute a full, final and complete
11 resolution of this matter.

12 2. Agreement to Desist and Refrain. Respondents agree to desist and refrain from
13 offering or selling or buying or offering to buy any security in the State of California, including but
14 not limited to shares of common stock, by means of any written or oral communication which
15 includes an untrue statement of a material fact or omits to state a material fact necessary in order to
16 make the statements made, in light of the circumstances under which they are made, not misleading
17 in violation of Corporations Code section 25401.

18 3. Future Actions by the Commissioner. The Parties acknowledge and agree that
19 nothing contained in this Settlement Agreement shall operate to limit the Commissioner's ability to
20 assist any other agency, (county, state or federal) with any prosecution, administrative, civil or
21 criminal, brought by any such agency against Respondents based upon the subject matter hereof or
22 otherwise. This Settlement Agreement shall not limit the ability of the Commissioner to bring any
23 administrative or civil action to enforce compliance with this Settlement Agreement or to seek
24 penalties for its violation. Further, the Commissioner reserves the right to bring any future action(s)
25 against Respondents or any of the managers, officers, directors, shareholders or employees of
26 Respondents for all unknown or future violations of the CSL.

27 4. Independent Legal Advice. Respondents represent, warrant, and agree that they have
28 had the opportunity to seek independent advice from legal counsel and/or representative with respect

1 to the advisability of executing this Settlement Agreement.

2 5. No Other Representation. Each of the Parties represents, warrants, and agrees that in
3 executing this Settlement Agreement each has relied solely on the statements set forth herein and the
4 advice of its own counsel and/or representative. Each of the Parties further represents, warrants, and
5 agrees that in executing this Settlement Agreement it has placed no reliance on any statement,
6 representation, or promise of any other party, or any other person or entity not expressly set forth
7 herein, or upon the failure of any party or any other person or entity to make any statement,
8 representation or disclosure of anything whatsoever. The Parties have included this clause: (1) to
9 preclude any claim that any party was in any way fraudulently induced to execute this Settlement
10 Agreement; and (2) to preclude the introduction of parol evidence to vary, interpret, supplement, or
11 contradict the terms of this Settlement Agreement.

12 6. Modifications and Qualified Integration. No amendment, change or modification to
13 this Settlement Agreement shall be valid or binding to any extent unless it is in writing and signed by
14 all the parties affected by it.

15 7. Full Integration. This Settlement Agreement is the final written expression and the
16 complete and exclusive statement of all the agreements, conditions, promises, representations, and
17 covenants between the parties with respect to the subject matter hereof, and supersedes all prior or
18 contemporaneous agreements, negotiations, representations, understandings, and discussions between
19 and among the parties, their respective representatives, and any other person or entity, with respect to
20 the subject matter covered hereby.

21 8. No Presumption from Drafting. In that the Parties have had the opportunity to draft,
22 review and edit the language of this Settlement Agreement, no presumption for or against any party
23 arising out of drafting all or any part of this Settlement Agreement will be applied in any action
24 relating to, connected, to, or involving this Settlement Agreement. Accordingly, the Parties waive the
25 benefit of Civil Code section 1654 and any successor or amended statute, providing that in cases of
26 uncertainty, language of a contract should be interpreted most strongly against the party who caused
27 the uncertainty to exist.

28 9. Effect Upon Future Proceedings. If Respondents apply for any license, permit or

1 qualification under the Commissioner's current or future jurisdiction, or are the subject of any future
2 action by the Commissioner to enforce this Settlement Agreement, then the subject matter hereof
3 shall be admitted for the purpose of such application(s) or enforcement proceedings(s).

4 10. Counterparts. This Settlement Agreement may be executed in one or more
5 counterparts, each of which shall be an original but all of which, together, shall be deemed to
6 constitute a single document.

7 11. Terms, Headings and Governing Law. All terms used, but not defined herein, shall
8 have the meaning assigned to them by the CSL. The headings to the paragraphs of this Settlement
9 Agreement are inserted for convenience only and will not be deemed a part hereof or affect the
10 construction or interpretation of the provisions hereof. This Settlement Agreement shall be construed
11 and enforced in accordance with, and governed by, the laws of the State of California.

12 12. Authority for Settlement. Each party warrants and represents that such party is fully
13 entitled and duly authorized to enter and deliver this Settlement Agreement. In particular, and
14 without limiting the generality of the foregoing, each party warrants and represents that it is fully
15 entitled to enter the covenants, and undertake the obligations set forth herein.

16 13. Public Record. Respondents acknowledge that this Settlement Agreement is a public
17 record. Respondents further understand and agree to not make any statement or representation that is
18 inconsistent with the Settlement Agreement.

19 14. Voluntary Agreement. The Parties each represent and acknowledge that in executing
20 this Settlement Agreement, each does so completely voluntarily and without any duress or undue
21 influence of any kind from any source.

22 15. Effective Date: This Settlement Agreement shall become effective when executed by
23 the Commissioner or her designee and transmitted by electronic mail (email) to Respondents at
24 lesterwinograde@verizon.net.

25 Dated: 9/6/17

JAN LYNN OWEN
Commissioner of Business Oversight

26 By:

27 MARY ANN SMITH
28 Deputy Commissioner
Enforcement Division

1 Dated: 9/1/17

MED-X, INC.

2
3 By:

MATTHEW A. MILLS
President and Chief Operating Officer

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5 Dated: 9/1/17

MATTHEW A. MILLS
President and Chief Operating Officer

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8 Dated: 8/31/17

DR. DAVID E. TOOMEY,
Chief Executive Officer

9
10
11 Dated: 8/31/17

RONALD J. TCHORZEWSKI
Chief Financial Officer